

Is your purchase for resale ...

or is it taxable? Before you use a resale certificate, please remember these general sales tax rules ...

It's OK to use a resale certificate to buy a product that you will

- Sell, as is, in your regular business operations,*
- Sell as a physical part of another product, or
- Use for demonstration or display while holding it for sale in your business.

You should not use a resale certificate when buying a product that you will

- Use rather than sell,*
- Use before you sell it, or
- Use for a personal purpose.

*See inside for examples, by business type.



Please consider this ...

if you knowingly use a resale certificate in purchasing items that you will not resell, you will owe the tax due on the transaction, plus interest. You may also be required to pay

- A 10 percent penalty of the tax due or a \$500 fine, whichever is *higher*, for each purchase, and/or
- A 25 percent penalty for fraud or intent to evade the tax.

Issuing a resale certificate to avoid paying tax is a misdemeanor.

As part of the audit process, the Board of Equalization routinely examines resale certificates to ensure that they support legitimate purchases for resale.

More ►

For more information ...

on resale certificates and sales tax, you may wish to obtain a copy of Board Regulation 1668, *Sales for Resale* and publication 103, *Sales for Resale*. Related information is also included in other Board publications, including publication 73, *Your California Seller's Permit*. See below for ordering information.

Although the Board does not publish resale certificates, a sample certificate is available for your use. You may download the General Resale Certificate (BOE-230) from our website at www.boe.ca.gov/pdf/boe230.pdf or obtain it through our Information Center fax-back system.

Information Center

Customer service representatives are available Monday through Friday (except state holidays) from 8:00 A.M. to 5:00 P.M. (Pacific time).

Call toll-free: 800-400-7115

TDD service for the hearing impaired, from

TDD phones 800-735-2929

Voice phones 800-735-2922

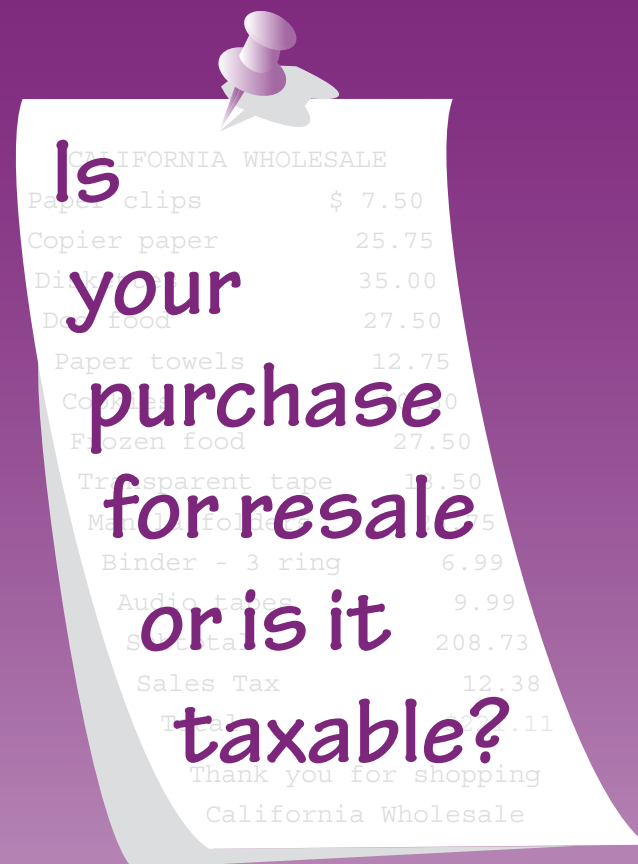
To obtain forms, regulations, and publications. Call the Information Center 24 hours a day or check the Board's Internet site (see below). Selected regulations and forms are available from the Information Center's automated fax-back system.

To verify a seller's permit number on a resale certificate, call 888-225-5263 or visit our website at www.boe.ca.gov. Look for "Verify a Permit/License."

Internet: www.boe.ca.gov



Note: This brochure summarizes law and regulations in effect as of the publication date. While the information in this brochure is very general, sales and use tax law is complex and subject to change. If there is a conflict between the brochure and the law or regulations, decisions will be based on the law and regulations.



Resale Certificate Tips

from the
California State
Board of Equalization

July 2006
Publication 42 • LDA
Sales and Use Taxes

Type of Business ¹	Purchase May Qualify for Use of Resale Certificate ¹	Purchase Generally Taxable ¹
Restaurant, bar	Disposable “take-out” food containers, paper napkins, plastic eating utensils, cups, straws, toothpicks	Dishes, flatware, utensils, cleaning supplies, paper towels, coffee filters, stirrers, office equipment and supplies, cloth or paper tablecloths
Barber shop, beauty shop	Items for resale to customers for off-premises use: shampoos, hair tonics, brushes, cosmetics	Items used in serving customers on-site: shampoo, brushes, cosmetics; cleaning supplies, office supplies
Automotive repair shop, service station ²	Tires, batteries, auto parts, seat covers, auto paint, antifreeze, and oil <i>for resale to customers</i>	Hand tools, machinery, masking tape, lubricants, solvents, rags, cleaning supplies, office equipment, office supplies
Florist, plant nursery, landscape gardener	Fertilizers, flowers, shrubs, potting soil and garden tools <i>for resale to customers</i> on an itemized invoice	Hoses, garden tools, lawn mowers, rakes, office equipment, supplies for use in day-to-day operations
Convenience store	Kitchen supplies, office supplies, cleaning supplies, and motor oil <i>for resale to customers</i>	Cash registers, business equipment; items used in daily operations: cleaning supplies, office supplies
Pet shop	Items intended for resale rather than use in business operations: pet food, pet litter, brushes, pet dishes, pets	Items for use in day-to-day store operations: pet food, litter, pet dishes, office supplies, cleaning supplies
Video rental store	Videotapes for rental or sale to the public	Televisions and electronic equipment (unless purchased for rental to customers), office equipment, office supplies, cleaning supplies
Building contractor, painter, wallpaper hanger	Under lump-sum contracts—fixtures, machinery, and equipment the contractor will install. Examples include plumbing fixtures, air conditioners, TV antennas, and refrigerators ³	Ladders, wheelbarrows, hand tools, power tools, sandpaper, solvents, masking tape, drop cloths, brushes, tools, office equipment, office supplies
Service provider: janitorial service, laundry, dry cleaner	None. Service providers are generally considered to be the end users of products they use in providing services to customers. Purchases are usually taxable	Cleaning supplies, cleaning equipment, office equipment, office supplies, solvents, detergents
Attorney, accountant, architect, real estate agent, doctor, dentist, daycare center, nursing home	None. These businesses are generally considered service providers (see paragraph above). Purchases are taxable	Office furniture, office equipment, office supplies, computer hardware and software, bandages, cotton balls, mouthwash, toothbrushes, toys, bedding, cleaning supplies, vacuum cleaners, appliances

¹ These listings are intended as general guidelines and may not apply in every situation. Lists include examples only and are not complete.

² Auto-body repair and paint shops are encouraged to use the Board's industry-specific resale certificate (form BOE-230-A). For a copy, please contact the Information Center (see reverse).

³ Contractors are generally considered the end users of equipment, tools, materials, and supplies they use in constructing real estate. In certain circumstances, contractors can be resellers of building materials. Please contact the Board for more information (see reverse).